



MANAGED COMPETITION

UPDATE

SEPTEMBER 2007

OVERVIEW

This update provides you with important information about the City's managed competition program. On Friday, September 7, the Mayor will release a document entitled the "Managed Competition Guide" outlining the process the City will follow to implement this program. The process is summarized below. It also will be the subject of a presentation to the City Council's Budget Committee on September 12.

MANAGED COMPETITION PRINCIPLES

Mayor Sanders is committed to these key principles:

- The City is dedicated to Managed Competition – **Not "outsourcing."**
- The City's processes **will ensure a level playing field for employees.**
- Employees will be kept informed and given **plenty of lead time** before each step in the process.
- Employees will be **provided support** in their efforts to compete on functions that undergo competitions.

Managed competition provides a structured, transparent process that allows for an open and fair comparison of public sector employees and independent contractors in their ability to deliver services to our citizens. This strategy recognizes the high quality and potential of public sector employees and gives them the opportunity to propose structuring their delivery of City services in ways similar to the best practices in competitive businesses.

KEY STEPS TO MANAGED COMPETITION PROCESS

- Business Process Reengineering (BPR) will be completed before a City function or operation will be considered for managed competition.
- Before any function is competed, it must first be assessed through a "pre-competition assessment" to determine its appropriateness for competition.
- If a function or set of functions is to be competed, a Request for Proposals (RFP) will be developed. Employee teams will be assembled in order to respond to the RFP. For this purpose, the employee teams may be assisted by a consultant and other City staff members.
- Proposals will be evaluated by an Independent Review Board based upon their providing the City with the "best value" – not just the lowest cost. In order for an independent contractor to win the competition, their proposed cost must be at least 10% lower than that of the City employee team.
- Should an independent contractor be recommended by the Independent Review Board as the best value provider for the City, the Mayor can only accept or reject that recommendation in its entirety.
- The winning bidder will have six (6) months to transition to services described in their proposal. A detailed transition plan will be required before any contract for services is awarded.
- During the course of the contract, which shall not exceed five years, the performance of the provider will be monitored on a monthly basis and will be audited after the end of the first performance period.

MANAGED COMPETITION GUIDE & TOWN HALL MEETINGS

For a copy of the "Managed Competition Guide" and other useful information, or to view a video of Mayor Sanders' press conference on managed competition, log on to CityNet. From work, go to <http://citynet.sannet.gov>. From home, go to citynet.sandiego.gov.

The Mayor will discuss managed competition during his EMPLOYEE TOWN HALL MEETINGS on Monday, September 10, 2007. The first meeting will be held from 7:30-8:30 a.m. at the Metropolitan Operations Complex (MOC), outside of the MOC III building in the loading area. The address is 9192 Topaz Way, San Diego, 92123. The second meeting will be held from 9:00-10:00 a.m. in the Balboa Park Club Ballroom - please note the new location for the second meeting. The address is 2150 Pan American Road West, San Diego, 92101.

MANAGED COMPETITION UPDATE

FUNDAMENTAL PROTECTIONS CREATE LEVEL PLAYING FIELD

The City's managed competition program includes some far-reaching protections that will help create a level playing field for all.

- The contracting recommendation will be based upon "best value" to the taxpayers as opposed to lowest price. At least two bids from independent contractors must be received. And in order for an independent contractor to win, the firm must be able to provide the service at a savings of 10% or above the bid made by employees.
- The recommendation is made by an Independent Review Board of qualified professionals who are subject to tough conflict of interest standards and prohibited from future employment opportunities with contractors.
- The Mayor can only accept or reject a contracting recommendation from the Independent Review Board. He cannot amend it. City Council can only accept or reject the Mayor's proposal.
- Should an award go to an independent contractor, employees will not be precluded or hindered from seeking employment with that contractor.
- Employee teams will be provided with support to develop a competitive response.
- Appropriate "firewalls" will be established between the various employee teams to protect the integrity of the process.
- Contracts will be limited to a 5 year period and regular audits will ensure the agreed upon level of services are being provided.

All of these protections are intended to provide for a fair, open and transparent process.

PUBLIC SAFETY EXEMPTIONS

Police officers, firefighters, firefighter/paramedics and lifeguards enrolled in a "Public Safety Retirement" system are exempt from the managed competition process. There is no intention of ever contracting out these critical public safety functions.

Frequently Asked Questions

What exactly is managed competition?

Managed competition is a process whereby a department's managers and employees compete with outside firms to provide a particular service.

Why is the City going through managed competition?

In November 2006, San Diego voters approved an amendment to the City Charter that allows for the implementation of a managed competition program to determine the most economic and efficient means of providing City services.

How is managed competition different from outsourcing?

Under managed competition, the City's departments and private firms compete to determine the most economic and efficient service provider for the City of San Diego. In outsourcing, only private entities are allowed to compete by submitting a proposal or bid.

What services are subject to managed competition?

All of the City's functions - with the exception of inherently governmental services and specific public safety services - are candidates for managed competition process. The managed competition process is not begun until after a candidate function has completed its BPR study.

Is the City of San Diego the only one doing this?

No. Many cities, counties and states are turning to the use of managed competition, rather than outsourcing, as the best means of determining the most economic and efficient service providers.

When will the managed competition process begin?

The managed competition process begins with the conduct of pre-competition assessments on functions that have completed BPR studies. The first pre-competition assessments are expected to begin in the next few months.